

In the
United States Court of Appeals
For the Ninth Circuit

No. 18414 ✓

PROF DEAD CO., INC., A CORPORATION DOING BUSINESS AS
PARAMOUNT CHEMICAL CO., AND PARAMOUNT
SALES CO.; WESTERN FILLING CORP., A CORPORA-
TION; FRANK G. MARSHALL; HUGH G. MARSHALL
AND JAMES G. CHRISTENSON,

Defendants-Appellants,

vs.

S. C. JOHNSON & SON, INC., A CORPORATION,
Plaintiff-Appellee.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF CALIFORNIA, CENTRAL DIVISION.

HONORABLE LEON R. YANKWICH, DISTRICT JUDGE.

BRIEF FOR APPELLEE.

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FILED

AUG 16 1950

FRANK H. SEWARD, CLERK

TABLE OF CONTENTS.

	PAGE
I. Jurisdictional Statement	1
I. Statement of the Case	3
A. The Facts	3
B. The Decisions of the District Court	4
C. Issues on Appeal	5
II. Summary of Argument	6
V. Argument	11
A. Plaintiff's Copyright in its PLEDGE Label Is Valid	11
1. Defendants Conceded the Validity of Plaintiff's Copyright Before the District Court	11
2. Plaintiff's PLEDGE Label Is Copyrightable Subject Matter	12
B. The District Court Had Jurisdiction Over Plaintiff's Trademark Infringement Claim..	18
1. The District Court Had Jurisdiction Under the Federal Trademark Act	18
(a) Defendants Have Used the Trademark PROMISE in Interstate Commerce	18
(b) Defendants' Use of the Trademark PROMISE Affects Interstate Commerce	21
2. The District Court Had Jurisdiction Over Plaintiff's Trademark Infringement Claim by Virtue of Diversity of Citizenship....	24
(a) Plaintiff and All Defendants Are of Diverse Citizenship	24
(b) The Amount in Controversy Exceeds Ten Thousand Dollars, Exclusive of Interest and Costs	25

- C. The District Court Had Jurisdiction Over Plaintiff's Unfair Competition Claim
 - 1. The District Court Had Jurisdiction by Virtue of Diversity of Citizenship
 - 2. The District Court Had Pendent Jurisdiction of Plaintiff's Unfair Competition Claim
 - 3. The District Court Had Jurisdiction of Plaintiff's Unfair Competition Claim Under the Federal Trademark Act
- D. The District Court Did Not Err in Receiving Evidence Respecting Defendants' Use of the Trademark PROMISE on a Modified Label
- E. Defendants' Claimed Anti-Trust Defense Is Improper
- F. The District Court's Award of Statutory Damages, Profits and Attorneys' Fees Should Not Be Modified
 - 1. This Court Has No Jurisdiction on This Appeal to Consider the Monetary Awards of the District Court
 - 2. The Monetary Awards of the District Court Are Within Its Discretion
- V. Conclusion
- Certificate
- Appendix

TABLE OF CASES.

E. Staley Manufacturing Company v. Staley Milling Company, 253 F. 2d 269 (7th Cir., 1958).....	36
Admiral Corp. v. Penco, Inc., 203 F. 2d 517 (2d Cir., 1953)	20
Aetna Life Ins. Co. v. Carillo, 164 F. 2d 883 (5th Cir., 1947)	12
Alfred Bell & Co. Ltd. v. Catalda Fine Arts, Inc., 191 F. 2d 99 (2d Cir., 1951).....	14
Ambassador East, Inc. v. Orsatti, Inc., 257 F. 2d 79 (3d Cir., 1958).....	26
Andrews v. St. Louis Joint Stock Land Bank, 127 F. 2d 799 (8th Cir., 1942).....	12
Arizona Power Corporation v. Smith, 119 F. 2d 888 (9th Cir., 1941).....	32
Armstrong Paint & Varnish Works v. Nu-Enamel Corp., 305 U. S. 315 (1938).....	29
Ashton v. Glaze, 95 F. 2d 427 (9th Cir., 1938).....	34
Audio Fidelity, Inc. v. High Fidelity Recordings, Inc., 283 F. 2d 551 (9th Cir., 1960).....	11
Bailie v. Fisher, 258 F. 2d 425 (D. C. Cir., 1958).....	31
Beneficial Industrial Loan Corporation v. Kline, 132 F. 2d 520 (8th Cir., 1942).....	27
Bergeron v. Mansour, 152 F. 2d 27 (1st Cir., 1945)..	34
Bitterman v. Louisville and Nashville Railroad Company, 207 U. S. 205 (1907).....	25
Blustein v. Donaldson Lithographing Company, 188 U. S. 239 (1903).....	13, 17
Boeing Airplane Company v. Brown, 291 F. 2d 310 (9th Cir., 1961)	32

- Bouve v. Twentieth Century-Fox Film Corporation, 122 F. 2d 51 (D. C. Cir., 1941)
- Brooks v. Great Atlantic & Pacific Tea Co., 92 F. 2d 794 (9th Cir., 1937)
- Brown v. Warner, 173 F. 2d 162 (5th Cir., 1949)
- Brown Instrument Co. v. Warner, 161 F. 2d 910 (D. C. Cir., 1947)
- Cash Dividend Check Corporation v. Davis, 247 F. 2d 458 (9th Cir., 1957)
- Chadeloid Chemical Co. v. H. B. Chalmers Co., 243 Fed. 606 (2d Cir., 1917)
- Chappell & Co. v. Palermo Cafe Co., 249 F. 2d 77 (1st Cir., 1957)
- Dawn Donut Company v. Hart's Food Stores, Inc., 267 F. 2d 358 (2d Cir., 1959)
- Del Monte Special Food Co. v. California Packing Corporation, 34 F. 2d 774 (9th Cir., 1929)
- Doran v. Sunset House Distributing Corp., 197 F. Supp. 940 (S. D. Cal., 1961), aff'd Sunset House Distributing Corp. v. Doran, 304 F. 2d 251 (9th Cir., 1962) . . 14,
- Edward B. Marks Music Corporation v. Continental Records Company, 222 F. 2d 488 (2d Cir., 1955)
- F. W. Woolworth Co. v. Contemporary Arts, Inc., 344 U. S. 228 (1952)
- Fairway Foods, Inc. v. Fairway Markets, Inc., 227 F. 2d 193 (9th Cir., 1955)
- General Baking Co. v. Gorman, 3 F. 2d 891 (1st Cir., 1925)
- General Petroleum Corporation of California v. Beamblossom, 47 F. 2d 826 (9th Cir., 1931)

George v. Victor Talking Machine Co., 293 U. S. 377 (1934)	38
J. M. Kolbe Co. v. Armigus Textile Company, Inc., 184 F. Supp. 423 (S. D. N. Y., 1960), aff'd per curiam, 279 F. 2d 555 (2d Cir., 1960).....	16
Hamilton-Brown Shoe Co. v. Wolf Brothers & Co., 240 U. S. 251 (1916).....	28, 42
Mont v. New York Cotton Exchange, 205 U. S. 322 (1907)	27
Turn v. Oursler, 289 U. S. 238 (1933).....	28
Indian Territory Oil & Gas Co. v. Indian Territory Illuminating Oil Co., 95 F. 2d 711 (10th Cir., 1938) .	26
Iowa Farmers Union v. Farmers Educational & Co- operative Union, 247 F. 2d 809 (8th Cir., 1957)....	22
Joshua Meier Company, Inc. v. Albany Novelty Manu- facturing Co., 236 F. 2d 144 (2d Cir., 1956).....	17
Keller Products Inc. v. Rubber Linings Corp., 213 F. 2d 382 (7th Cir., 1954).....	43
Kitchens of Sara Lee, Inc. v. Nifty Foods Corporation, 266 F. 2d 541 (2d Cir., 1959).....	41
Liderer v. Garage Equipment Mfg. Co., 235 Fed. 527 (7th Cir., 1916).....	40
Lon v. Quality Courts United, Inc., 249 F. 2d 790 (6th Cir., 1957).....	22
Maternally Yours, Inc. v. Your Maternity Shop, 234 F. 2d 538 (2d Cir., 1956).....	32, 43
Mizer v. Stein, 347 U. S. 201 (1954).....	11, 17
Miles Laboratories, Inc. v. Frolich, 195 F. Supp. 256 (S. D. Cal., 1961), aff'd per curiam, 296 F. 2d 740 (9th Cir., 1961).....	20

- N. S. W. Co. v. Wholesale Lumber & Millwork, Inc.,
123 F. 2d 38 (6th Cir., 1941).....
- National Lead Company v. Wolfe, 223 F. 2d 195 (9th
Cir., 1955)
- National Van Lines v. Dean, 237 F. 2d 688 (9th Cir.,
1956)
- New England Duplicating Co., Inc. v. Mendes, 190 F.
2d 415 (1st Cir., 1951).....
- O'Brien v. Westinghouse Electric Corporation, 293 F.
2d 1 (3d Cir., 1961).....
- Pagliari v. Wallace China Co., Ltd., 198 F. 2d 339
(9th Cir., 1952).....
- Parkway Baking Company v. Freihofer Baking Com-
pany, 255 F. 2d 641 (3d Cir., 1958).....
- Pure Foods, Inc. v. Minute Maid Corp., 214 F. 2d 792
(5th Cir., 1954).....
- Reeve Music Co., Inc. v. Crest Records, Inc., 285 F. 2d
546 (2d Cir., 1960).....
- Rosenthal v. Stein, 205 F. 2d 633 (9th Cir., 1953)....
- Ross-Whitney Corp. v. Smith Kline & French Labora-
tories, 207 F. 2d 190 (9th Cir., 1953).....26
- Royal Sales Co. v. Gaynor, 164 Fed. 207 (C. C. S. D.
N. Y., 1908)
- Rushton v. Vitale, 218 F. 2d 434 (2d Cir., 1955).....
- San Francisco Ass'n for the Blind v. Industrial Aid
for the Blind, Inc., 152 F. 2d 532 (8th Cir., 1946)....
- Seaboard Finance Company v. Martin, 244 F. 2d 329
(5th Cir., 1957)
- Seagram-Distillers Corporation v. New Cut Rate
Liquors, Inc., 245 F. 2d 453 (7th Cir., 1957).....

Sven-Up Company v. Blue Note, Inc., 260 F. 2d 584 (7th Cir., 1958)	27
Saffer v. Coty, Inc., 183 F. Supp. 662 (S. D. Cal., 1960)	27
Seldon v. Metro-Goldwyn Pictures Corp., 309 U. S. 390 (1940)	41
Seldon v. Moredall Realty Corporation, 95 F. 2d 48 (2nd Cir., 1938)	40
Snko v. Snow-Craggs Corporation, 105 F. 2d 450 (7th Cir., 1939)	30
Sauffer v. Exley, 184 F. 2d 962 (9th Cir. 1950).....	21, 31
Sork Restaurant, Inc. v. Sahati, 166 F. 2d 349 (9th Cir., 1948)	35, 36
Sunset House Distributing Corp. v. Doran, 304 F. 2d 251 (9th Cir., 1962)	41
Universal Pictures Co., Inc. v. Harold Lloyd Corpora- tion, 162 F. 2d 354 (9th Cir., 1947)	16
Varner Bros. Pictures, Inc. v. Majestic Pictures Cor- poration, 70 F. 2d 310 (2d Cir., 1934)	30
Varner Publications, Inc. v. Popular Publications, Inc., 37 F. 2d 913 (2d Cir., 1937)	30
Vihtol v. Wells, 231 F. 2d 550 (7th Cir., 1956)	16
Wilson v. Byron Jackson Co., 93 F. 2d 572 (9th Cir., 1937)	12
Zack v. Kraus Bros. & Co., 237 F. 2d 255 (2d Cir., 1956)	39

Statutes.

1 U. S. C. 1114(1)	11, 36, 45
1 U. S. C. 1117	28, 42, 45
1 U. S. C. 1121	2, 18, 46
1 U. S. C. 1125(a)	2, 8, 31, 46

15 U. S. C. 1126(b)	2, 8, 31,
15 U. S. C. 1126(h)	2, 8, 31,
15 U. S. C. 1126(i)	2, 8, 31,
15 U. S. C. 1127	19,
17 U. S. C. 5	12,
17 U. S. C. 101(b)	28, 40,
17 U. S. C. 112	2,
17 U. S. C. 116	42,
28 U. S. C. 1292 (a) (1)	2, 38,
28 U. S. C. 1332	2, 24,
28 U. S. C. 1338(a)	2, 18,
28 U. S. C. 1338(b)	2, 8, 29,
28 U. S. C. 1653	24,

Rules.

Rule 8(c), Fed. R. Civ. P.	
Rule 12 (h), Fed. R. Civ. P.	

Treatise.

1 Wigmore, Evidence (3d Ed. 1940) Sec. 18	
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HONORABLE LEON R. YANKWICH, DISTRICT JUDGE.

BRIEF FOR APPELLEE.

I. JURISDICTIONAL STATEMENT.

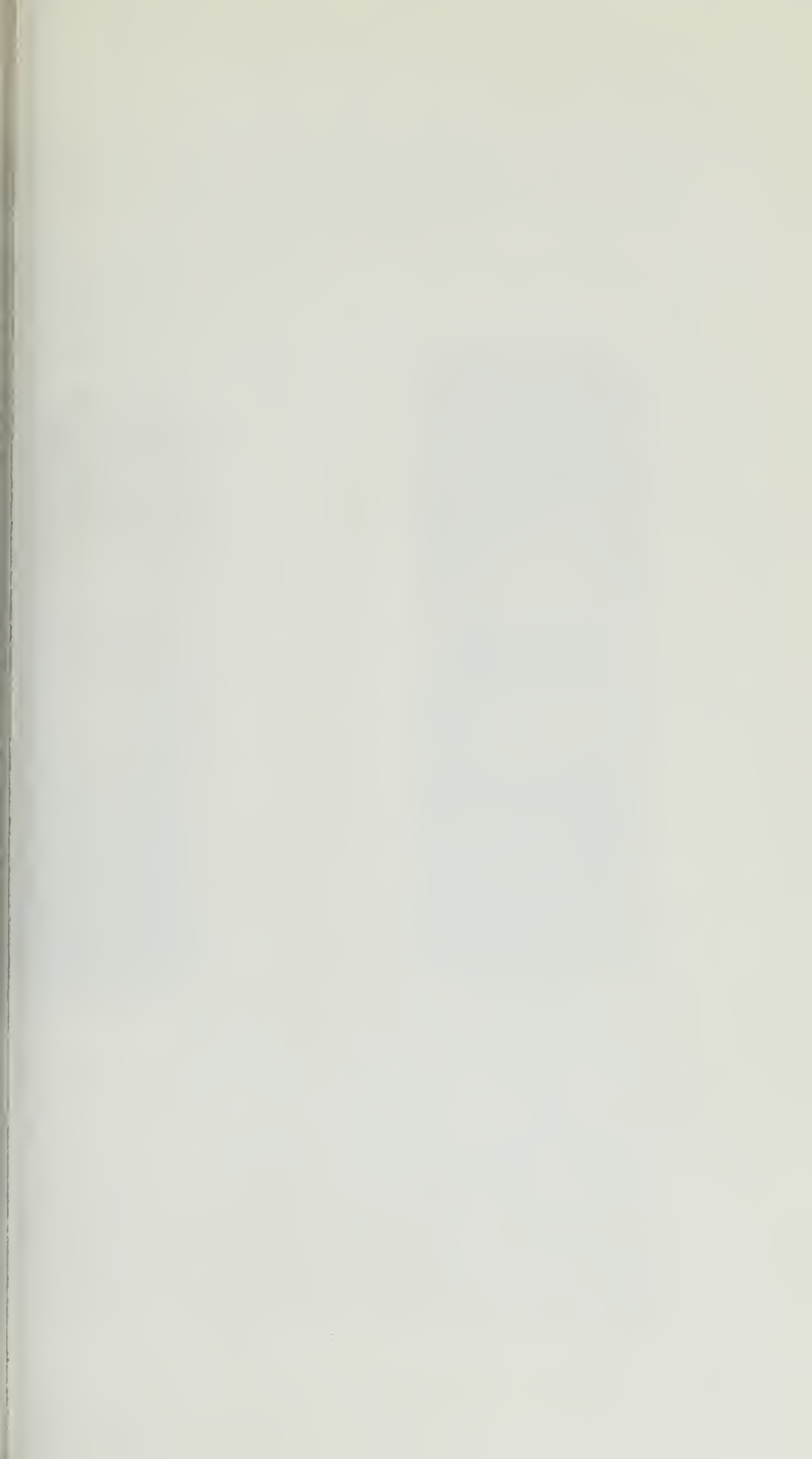
This is an action for copyright infringement (R. 5-9),
trademark infringement (R. 13-16) and unfair competition
(R. 10-12). The District Court had jurisdiction of plain-
tiff's claim of infringement of its validly secured copyright

(R. 8) in accordance with the statutes granting jurisdiction over claims arising under the copyright laws of the United States (17 U. S. C. 112; 28 U. S. C. 1338(a)).

The District Court had jurisdiction of plaintiff's claim of infringement of its federally registered trademark (P. T-11, R. 250a) under the provisions of the Trademark Act of 1946 (15 U. S. C. 1121; 28 U. S. C. 1338(a)). In addition, the District Court had jurisdiction of this claim since plaintiff and all defendants are of diverse citizenship (P. 28), and the amount in controversy exceeds the sum of \$10,000, exclusive of interest and costs (28 U. S. C. 1332).

The District Court had pendent jurisdiction of plaintiff's unfair competition claim, as this claim was joined with a substantial and related claim arising under the copyright laws (28 U. S. C. 1338 (b)). In addition, the District Court had jurisdiction of plaintiff's unfair competition claim in accordance with the Trademark Act of 1946 (15 U. S. C. 1126(b), (h), and (i); 15 U. S. C. 1125(a)). It also had jurisdiction over plaintiff's unfair competition claim by virtue of the diversity of citizenship of the parties, the amount in controversy being in excess of \$10,000 (28 U. S. C. 1332).

This Court's jurisdiction of this appeal arises under 28 U. S. C. 1292(a)(1) which permits an appeal from the District Court's Interlocutory Judgment Order granting an injunction (R. 67). Thus, this Court's jurisdiction of the appeal extends only to the propriety of the injunction and not to the monetary awards.





II. STATEMENT OF THE CASE.

A. THE FACTS.

Plaintiff's copyright infringement claim arises out of defendant's copying the label used by plaintiff for its PLEDGE aerosol furniture wax (R. 8-9, 62). The trademark infringement claim arises out of defendants' adoption and use of the trademark PROMISE for an aerosol furniture wax with intent to trade on plaintiff's good will, and the resulting likelihood of purchaser confusion as to source (R. 13-16, 61-65). The unfair competition claim arises out of defendants' deliberate copying and the confusion caused by the similarity in labels (R. 10-12, 61-65). On the opposite page is a representation of the front view of plaintiff's PLEDGE product and defendants' PROMISE product as marketed at the commencement of this action.

Plaintiff is a Wisconsin corporation, popularly referred to as "Johnson's Wax" (Findings of Fact 1, 8, R. 58, 59; Finding of Fact 5, 94-95). Plaintiff's business consists of the manufacture, distribution and sale of a wide variety of household products (Finding of Fact 8, R. 59; R. 86).

On January 31, 1958, plaintiff began using the trademark PLEDGE, and on March 15, 1958, plaintiff adopted its present PLEDGE label and began marketing its PLEDGE furniture wax and polish in an aerosol can (Findings of Fact 9, 11, R. 59, 60; R. 87-88). Plaintiff registered its PLEDGE trademark in the United States Patent Office, Registration Number 68,526, on October 21, 1958 (Finding of Fact 10, R. 59; R. 28, PX T-11, R. 250a). Plaintiff's copyright in its PLEDGE label has been secured and a copyright certificate was duly issued to plaintiff by the Register of Copyrights (Finding of Fact 15, R. 60; R. 28; PX T-13, R. 250b).

The PLEDGE label was created and developed for plaintiff by Lippincott and Margulies, Inc., of New York, a firm

specializing in packaging and label design, at an expense of almost \$8,000 to plaintiff (Finding of Fact 12, R. 60 R. 131-142; PX T-23, T-24, T-25, R. 252-256). The textual material on the PLEDGE label was written by plaintiff's advertising agency, Benton and Bowles (Finding of Fact 13, R. 60; R. 111).

Since first adopting its trademark PLEDGE, plaintiff has sold many millions of dollars of PLEDGE aerosol furniture wax (PX T-15, R. 251), and plaintiff has spent millions of dollars in advertising its PLEDGE name (PX T-19, R. 252).

Defendant, Drop Dead Co., Inc., is a California corporation engaged in the distribution and sale of various household products (Findings of Fact 2, R. 58; R. 20, 144). The individual defendants are the officers and sole owners of defendant, Drop Dead Co., Inc. (Findings of Fact 3-5, R. 58-59; R. 28). Defendant, Western Filling Corporation, is a California corporation which fills and labels the PROMISE aerosol containers (Findings of Fact 6, 28, R. 59, 63; R. 20 R. 159-163).

On or about July 20, 1959, defendants began using the trademark PROMISE and a label copied from plaintiff's copyrighted PLEDGE label (Findings of Fact 21-25, R. 61-63 R. 258, 260). After commencement of this action defendants modified their label but continued to use the trademark PROMISE (Finding of Fact 27, R. 63; R. 228, 234, DX H-1).

B. THE DECISIONS OF THE DISTRICT COURT.

Prior to trial defendants moved: (1) for summary judgment on plaintiff's copyright claim, alleging defects in the copyright notice; and (2) to dismiss plaintiff's unfair competition and trademark infringement claims for lack of jurisdiction (R. 46-51). In a memorandum opinion, reported at 201 F. Supp. 442 (R. 52-54), Judge Hall denied defendants' motions and held that the District Court has jurisdiction over all claims in the complaint.

The trial judge, Judge Yankwich, likewise concluded that the District Court had jurisdiction (R. 65). In an opinion reported at 210 F. Supp. 816 (R. 55), the Court further found that defendants deliberately copied plaintiff's PLEDGE label (Finding of Fact 25, R. 62), that defendants adopted and used the trademark PROMISE for the purpose of trading upon the good will built up in plaintiff's PLEDGE trademark (Finding of Fact 29, R. 63), and that defendants' use of PROMISE caused actual confusion of purchasers and was likely to continue to cause confusion of purchasers (Findings of Fact 31-35; R. 63-64). The Court held that defendants were guilty of trademark infringement, copyright infringement and unfair competition (R. 66-66). Defendants were enjoined from using the trademark PROMISE and their original label (R. 67-68). The Court further held that plaintiff is entitled to recover from defendants statutory damages for copyright infringement, an accounting of profits for trademark infringement and unfair competition, reasonable attorneys' fees, and costs (R. 66-67).

C. ISSUES ON APPEAL.

1. Is plaintiff's copyright of its PLEDGE label valid?
2. Did the District Court have jurisdiction of plaintiff's claim of trademark infringement?
3. Did the District Court have jurisdiction of plaintiff's claim of unfair competition?
4. Did the District Court err in receiving evidence of defendants' use of the trademark PROMISE on a modified label?
5. Is plaintiff barred from relief in this action by claimed violations of the anti-trust laws?
6. Does this Court have jurisdiction on this appeal to modify the discretionary monetary awards of the District Court?

III. SUMMARY OF ARGUMENT.

Defendants' appeal raises principally the issues of the validity of the copyright of plaintiff's label, and the jurisdiction of the District Court. The Court's findings respecting defendants' deliberate copying (R. 62), defendant's intent to trade on plaintiff's good will (R. 63), and confusion of purchasers as to source (R. 63-64) are not attacked.

Although defendants now contend that plaintiff's copyright in its PLEDGE label is invalid because the label does not contain copyrightable subject matter (Br. 20-44), defendants conceded the validity of plaintiff's copyright before the District Court and stated they were not contesting validity (R. 250).

The District Court found that the PLEDGE label was "created" for plaintiff (R. 60), and this finding is manifestly erroneous. The unrebutted evidence shows that plaintiff spent considerable time, expense and effort to create its PLEDGE label and that the label was original (R. 131-142; PX T-23-25, R. 252-256). Under the copyright law only slight originality or novelty is necessary to sustain the validity of a copyright, and plaintiff's PLEDGE label easily meets this standard.

The Courts will not assume the role of art critics and hold that an original label of proven commercial value may be copied with impunity. The fact that defendants copied and sought to appropriate plaintiff's label corroborates the other evidence of originality and value of plaintiff's copyrighted label.

The District Court had jurisdiction of plaintiff's claim of trademark infringement under the Trademark Act

946 (15 U. S. C. 1051-1127). Although defendants now contend that their PROMISE trademark was not used in interstate commerce (Br. 46-60), their sworn application to register the trademark in the United States Patent Office states the contrary (R. 260). Defendants testified that they shipped goods bearing the PROMISE trademark in interstate commerce (R. 152). Defendants now claim that such use was "colorable" and for registration purposes only, but defendants previously admitted their intention to use PROMISE in interstate commerce in the future (R. 262). Moreover, one use of a mark by the defendants in interstate commerce is sufficient to confer jurisdiction under the Trademark Act of 1946.

Even had defendants not used their mark in interstate commerce the District Court would have had jurisdiction of plaintiff's claim of trademark infringement. The Trademark Act of 1946 gave jurisdiction to the federal courts over wholly intrastate infringements which affect interstate commerce. Plaintiff's registered trademark PLEDGE is used in interstate commerce (R. 98) and defendants' mark, being an infringement and likely to cause confusion, necessarily affects interstate commerce.

The District Court also had jurisdiction of plaintiff's trademark infringement claim by virtue of the diversity of citizenship of the parties, the amount in controversy being in excess of ten thousand dollars. The diversity of citizenship of all parties is admitted (R. 28). The proper test to determine the amount in controversy is the value to the plaintiff of the right for which protection is sought. In trademark cases this is the value of the good will attached to the plaintiff's trademark.

Defendants argue that the amount in controversy herein should be measured only by their sales of the PROMISE product (Br. 64-67), but this argument is without founda-

tion. Even if defendants' argument that their use does not threaten the entire value of plaintiff's good will were accepted, the amount in controversy in this action nevertheless would include damages and profits (R. 16-17), as well as the value to plaintiff of the exclusive right to use its PLEDGE trademark and copyrighted label. The amount of the damages and profits in controversy alone is in excess of ten thousand dollars.

The District Court had jurisdiction of plaintiff's unfair competition claim by virtue of the diversity of citizenship of the parties on the same principles applicable to plaintiff's trademark infringement claim. Jurisdiction over this claim also arises under the principles of pendent jurisdiction (28 U.S.C. 1338(b)). There is no question that plaintiff's unfair competition claim is related to a substantial claim under the copyright laws. Defendants assert that if plaintiff's copyright is invalid this destroys the jurisdiction of the Court, and that thus there can be no pendent jurisdiction (Br. 44, 63). It is well settled, however, that a federal court once having gained jurisdiction over copyright, trademark or patent claims, retains jurisdiction to dispose of related unfair competition claims, thereby avoiding piecemeal litigation. This holds true even if the trademark registration, patent or copyright is held to be invalid. In addition, the District Court had jurisdiction of plaintiff's unfair competition claim under the Trademark Act provisions recognizing a federal cause of action for unfair competition (15 U. S. C. 1126 (b), (h) and (i); 15 U. S. C. 1125(a)).

Defendants claim that their use of PROMISE on a modified label was not pleaded in the complaint, and that the District Court therefore erred in receiving evidence and basing findings upon such use (Br. 67-69). Defendants, however, made no objection to the introduction of such evidence at the trial. Moreover, defendants themselves offered ev

lence of their use of PROMISE on the modified label (R. 228-229, 232-234; DX H).

Defendants' use of PROMISE on the modified label is within the scope of the pleadings. The complaint pleads a cause of action for trademark infringement based on the use of PROMISE not restricted to any label and further leads defendants' application to register PROMISE as a trademark in the Patent Office (R. 13-16). Plaintiff's complaint seeks an injunction against defendants' "using the trademark PROMISE . . ." (R. 16). The agreed pre-trial order, which supplemented the pleadings, specifically made the confusion caused by defendants' use of PROMISE on the modified label an issue for trial (R. 35, 41, 42).

Defendants also argue that plaintiff should be denied relief because of claimed violations of the anti-trust laws (Br. 72-78). This claim was not pleaded as an affirmative defense (R. 24-25), recited as an issue in the pre-trial order (R. 26-45), nor raised before the District Court. Accordingly, defendants should not be permitted to argue for the first time on appeal.

The anti-trust argument is based simply on the fact that plaintiff uses different trademarks for different wax products. Defendants assert, without proof, that plaintiff is seeking to monopolize the market by trying to enjoin the use of confusingly similar trademarks. Defendants admit that their position is without authority (Br. 72). It is likewise without reason. Defendants can choose a non-infringing trademark from the entire English language or use any fanciful or coined word; the only limitation on defendants is to avoid the use of a trademark confusingly similar to a mark previously in use. The right to stop the use of a trademark likely to cause confusion as to source is granted by statute and has long been recognized at common law. This right is granted both to protect the good will of the prior user and to prevent confusion and

deception of the public. Defendants' anti-trust claim is merely a belated attempt to obscure the fact that defendants have been deliberately trading upon plaintiff's good will and causing confusion of the public.

Defendants' attack upon the award of statutory damages, accounting of profits, and attorneys' fees is premature. This Court, on this appeal, is without jurisdiction to consider these awards. Defendants' appeal is conceded to be from the interlocutory order of the District Court granting the injunction (R. 67). As to statutory damages, profits, and attorneys' fees, the District Court directed a reference to a master for computation (R. 66-67). These awards are therefore not the subject of a final judgment, and cannot be considered on this appeal. Moreover, the granting of statutory damages, profits, and attorneys' fees was proper. In view of defendants' deliberate copying of plaintiff's label, defendant's intent to appropriate and trade upon the good will attached to plaintiff's PLEDGE trademark, and the actual purchase confusion which defendants have caused, the awards of the District Court were within its discretion.

IV. ARGUMENT

In neither their "Statement Of Points On Which Appellants Intend To Rely" (R. 273-278) nor their brief to defendants question the District Court's Findings of Fact respecting: (1) defendants' deliberate copying of plaintiff's PLEDGE label (R. 62); (2) defendants' adoption and use of the trademark PROMISE for the purpose of trading upon the good will built up in plaintiff's PLEDGE trademark (R. 63); and (3) the confusion as to source of purchasers which has been caused and is likely to continue to be caused by defendants' use of PROMISE (R. 63-64). The copying of a copyrighted work is prohibited by the Copyright Act (*Mazer v. Stein*, 347 U. S. 201 (1954)), and the use of a trademark or label likely to cause confusion of source is prohibited by the law of trademark infringement (15 U. S. C. 1114(1)) and the law of unfair competition (*Audio Fidelity, Inc. v. High Fidelity Recordings, Inc.*, 83 F. 2d 551, 555 (9th Cir., 1960)). Since the findings of deliberate copying and likelihood of confusion are unchallenged on this appeal, unless defendants prove that plaintiff's copyright is invalid or that the District Court lacked jurisdiction, the judgment of the District Court should be affirmed.

PLAINTIFF'S COPYRIGHT IN ITS PLEDGE LABEL IS VALID.

Defendants Conceded the Validity of Plaintiff's Copyright Before the District Court.

Defendants now claim that plaintiff's PLEDGE label does not include copyrightable subject matter and the copyright is therefore invalid (Br. 20-44). Defendants, however,

conceded the validity of the copyright before the District Court and stated that their position was simply that they had not infringed the copyright. At the close of his oral argument, defendants' counsel stated to the Court (F. 250):

“The copyright, probably, is valid that they have but it is not infringed by any act that the defendant has done.

“In short, your Honor, the defendants' position is not that plaintiff's copyright is invalid or plaintiff's trademark is invalid, the defendants' position is that they have never infringed the trademark and they have never infringed the copyright, on the basis of the case that I cited to you at the beginning of my oral argument, your Honor.”

Defendants, having conceded copyright validity before the District Court, may not on appeal claim that plaintiff's copyright is invalid. *Wilson v. Byron Jackson Co.*, 93 F. 2d 572, 573 (n. 2) (9th Cir., 1937); *Aetna Life Ins. Co. v. Curillo*, 164 F. 2d 883, 884 (5th Cir., 1947); *Andrews v. St. Louis Joint Stock Land Bank*, 127 F. 2d 799, 804 (8th Cir. 1942). In a copyright case, *Edward B. Marks Music Corp. v. Continental Records Co.*, 222 F. 2d 488 (2nd Cir., 1955) the Court held at page 492:

“But a plaintiff in his opposition to a motion for summary judgment cannot abandon an issue and then after an unpalatable decision by the trial judge, on appeal, by drawing on the pleadings resurrect the abandoned issue.”

2. Plaintiff's PLEDGE Label Is Copyrightable Subject Matter.

Labels such as plaintiff's PLEDGE label are specifically recognized by the Copyright Act as a class of works which copyright protection extends. Section 5 of the Copyright Act (17 U. S. C. 5), in the classification of copyright

ble works, lists: "prints and pictorial illustrations including prints or labels used for an article of merchandise."

In *Bleistein v. Donaldson Lithographing Company*, 188 U. S. 239, 253 (1903), the Supreme Court rejected the argument that a copyrighted work must have aesthetic value in order to be valid. This case was summarized and relied upon by this Court in *Rosenthal v. Stein*, 205 F. 2d 633 (9th Cir., 1953), in which this Court held at page 635:

"An opinion on copyright would be unusual indeed that did not mention the case entitled *Bleistein v. Donaldson Lithographing Company*, 1903, 188 U. S. 239, 23 S. Ct. 298, 300, 47 L. Ed. 460. This is the celebrated circus poster case in which Justice Holmes discoursed upon art and copyrights. Plaintiff sued defendant to recover the penalties prescribed for infringement. The objects copyrighted were chromolithographs which, as circus posters, were especially adapted to advertise 'Wallace' shows. After Wallace had 'given them up' they were 'used by less pretentious exhibitions * * *.' The trial court found for the defendant. It has been suggested that the posters could not be the subjects of legal copyright because they were not art and because they were *used* commercially. The court said, 188 U. S. at page 251, 23 S. Ct. at page 300, 'Again, the act, however construed, does not mean that ordinary posters are not good enough to be considered within its scope. The antithesis to "illustrations or works connected with the fine arts" is not works of little merit or of humble degree, * * * it is "prints or labels designed to be used for any other articles of manufacture." Certainly works are not the less connected with the fine arts because their pictorial quality attracts the crowd, and therefore gives them a real use,—if use means to increase trade and to help to make money.'"

In order to sustain the validity of the copyright it is only necessary that plaintiff's label have some slight originality. In *Rushton v. Vitale*, 218 F. 2d 434 (2nd Cir., 1955), the Court held at page 435:

“Copyright protection extends to any production of some originality and novelty, regardless of its commercial exploitation or lack of artistic merit. *Mazer v. Stein*, 347 U. S. 201, 74 S. Ct. 460, 98 L. Ed. 630; see also Notes in 68 Harv. L. Rev. 517 (1955) and 66 id. 877 (1953).”

In *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 191 F. 2d 99 (2nd Cir., 1951), the limited requirements of originality under the Copyright Act and the Constitution were stated at page 102:

“ ‘Original’ in reference to a copyrighted work means that the particular work ‘owes its origin’ to the ‘author.’ ”

* * * * *

“All that is needed to satisfy both the Constitution and the statute is that the ‘author’ contributed something more than a ‘merely trivial’ variation, something recognizably ‘his own.’ Originality in this context ‘means little more than a prohibition of actual copying. No matter how poor artistically the ‘author’s’ addition, it is enough if it be his own. *Bleistein v. Donaldson Lithographing Co.*, 188 U. S. 239, 250, 23 S. Ct. 294, 47 L. Ed. 460.”

This Court has likewise recognized “that courts have been liberal in allowing copyright protection even though there is a question of literary quality involved in the work.” *Cash Dividend Check Corporation v. Davis*, 247 F. 2d 454, 460 (9th Cir., 1957). In *Doran v. Sunset House Distributing Corp.*, 197 F. Supp. 940 (S. D. Cal., 1961) affirmed *Sunset House Distributing Corp. v. Doran*, 304 F. 2d 272 (9th Cir., 1962), the originality of a commercial representation of Santa Claus was upheld. The test for determining whether a work is copyrightable was stated at page 944:

“To be copyrightable, a work must be ‘original’ in that the author has created it by his own skill, labor, and judgment. *Dorsey v. Old Surety Life Ins. Co.*”

10 Cir., 1938, 98 F. 2d 872, 119 A. L. R. 1250; *Smith v. George E. Muehlebach Brewing Co.*, D. C. W. D. Mo. 1956, 140 F. Supp. 729. As stated in *Alfred Bell & Co. v. Catalda Fine Arts*, 2 Cir., 1951, 191 F. 2d 99, 102:

“ * * * “Original” in reference to a copyrighted work means that the particular work “owes its origin” to the “author.” No large measure of novelty is necessary. * * *

“ * * * All that is needed to satisfy both the Constitution and the statute is that the “author” contributed something more than a “merely trivial” variation, something recognizably “his own.” Originality in this context “means little more than a prohibition of actual copying.” No matter how poor artistically the “author’s” addition, it is enough if it be his own. *Bleistein v. Donaldson Lithographing Co.*, 188 U. S. 239, 250, 23 S. Ct. 298, 47 L. Ed. 460.’

“Thus, it appears that the requirements for the ‘originality’ necessary to support a copyright are modest. The author must have created the work by his own skill, labor and judgment, contributing something ‘recognizably his own’ to prior treatments of the same subject. However, neither great novelty or superior artistic quality is required.”

In the present action the District Court found that plaintiff’s label was “created” and “designed” for plaintiff at substantial expense (R. 60). The record shows that the LEDGE label was created for plaintiff by Lippincott and Cargulies, Inc., a company specializing in label and package design (R. 95, 131). The criteria used in developing the label were before the District Court as was the history of its development. Various alternative labels were rejected during the development of the present label (R. 95-96, R. 131-142). Prior to final acceptance several meetings between plaintiff and the label artists were held at which further modifications in the art work of the label were sug-

gested (PX T-23, T-24, R. 252-255). The final cost to plaintiff for the creation of its PLEDGE label was \$7,882.3 (PX T-25, R. 256).

After the PLEDGE label was first published plaintiff secured its copyright by filing a copyright application and copies of the label with the Register of Copyrights. Plaintiff's copyright certificate was issued (PX T-13, R. 250b) by the Register of Copyrights and constitutes *prima facie* evidence of the originality of plaintiff's label and the validity of plaintiff's copyright. *Wihtol v. Wells*, 231 F. 2d 555 (7th Cir., 1956); *H. M. Kolbe Co. v. Armigus Textile Co.* 184 F. Supp. 423, 424 (S. D. N. Y., 1960), opinion affirmed and adopted *per curiam*, 279 F. 2d 555 (2d Cir., 1960). Defendants have introduced no evidence to rebut this presumption.

Defendants assert, without proof, that others have previously used the various elements in the art work of plaintiff's label and that the label is therefore not original (B 37-44). Even if defendants' assertions were true, plaintiff's label would nevertheless be entitled to copyright protection since the combinations and arrangements of the elements of the label are new and original (R. 134-136). Original combinations of even commonplace elements are entitled to protection against copying. As held by the Court in *Universal Pictures Co. v. Harold Lloyd Corporation*, 162 F. 2d 354 (9th Cir. 1947) at page 363:

“In answer to the point that the sequence lifted commonplace, we find no evidence that they had ever previously appeared in like combination, arrangement or form. * * * The originality was displayed in taking commonplace materials and acts and making the into a new combination and novel arrangement which is protectible by copyright.”

Defendants further assert that plaintiff is seeking “monopoly . . . in the use of two ovals on a gold foil label

(Br. 38). Plaintiff, however, claims no exclusive right to the use of ovals or gold foil as such. It does claim protection against copying of the total embodiment of the numerous elements of its entire original label. The prohibition against such copying is the sole protection afforded by the copyright law and is the extent of the copyright "monopoly." *Mazer v. Stein*, 347 U. S. 201, 218 (1954).

Defendants argue that the instructions and laudatory wording on plaintiff's label are not a proper subject of copyright (Br. 20-36). Plaintiff, however, does not claim a separate copyright in the instructions and phrases. The virtual identity in descriptive wording between plaintiff's PLEDGE label and defendants' PROMISE label was properly relied upon simply to show the intention of the defendants to appropriate plaintiff's PLEDGE label. *Joshua Meier Company v. Albany Novelty Manufacturing Co.*, 236 F. 2d 144, 146 (2nd Cir., 1956).

Plaintiff has shown the original creation of its PLEDGE label (R. 95-96, 131-142), and this showing is wholly uncontroverted. Defendants' conduct in seeking to appropriate the label is further evidence of the originality and value of the label. Defendants are now, without evidence, asking this Court to judge the worth of commercial art and to hold that plaintiff's label, created by label artists at an expense of almost eight thousand dollars to plaintiff, is unoriginal and may be copied by defendants with impunity. In *Bleistein v. Donaldson Lithographing Co.*, 188 U. S. 239 (1902), the Supreme Court, speaking through Justice Holmes, rejected a similar argument and held at page 251:

"It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits. At the one extreme some works of genius would be sure to miss appreciation. Their very novelty would make them

repulsive until the public had learned the new language in which their author spoke. It may be more than doubted, for instance, whether the etchings of Goya or the paintings of Manet would have been sure of protection when seen for the first time. At the other end, copyright would be denied to pictures which appealed to a public less educated than the judge. Yet if they command the interest of any public, they have commercial value—it would be bold to say that they have not an aesthetic and educational value—and the taste of any public is not to be treated with contempt. It is an ultimate fact for the moment, whatever may be our hopes for a change. *That these pictures had the worth and their success is sufficiently shown by the desire to reproduce them without regard to the plaintiffs' rights.*" (Emphasis supplied).

B. THE DISTRICT COURT HAD JURISDICTION OVER PLAINTIFF'S TRADEMARK INFRINGEMENT CLAIM.

1. The District Court Had Jurisdiction Under the Federal Trademark Act.

Plaintiff's trademark PLEDGE is registered in the United States Patent Office and is used in commerce throughout the country (PX T-11, R. 250a; R. 98-99). If defendants' trademark either has been used in or affects interstate commerce, the District Court had jurisdiction over plaintiff's trademark claim under the Trademark Act (15 U. S. C. 1114; 28 U. S. C. 1338(a)).

(a) Defendants Have Used the Trademark PROMISE in Interstate Commerce.

The District Court found that, "Defendants have used the PROMISE trademark in interstate commerce . . . (Finding of Fact 23, R. 62). This Finding is based on: (1) defendants' application to register PROMISE in the United States Patent Office which contained defendants' sworn

declaration of use in interstate commerce (R. 260); and (2) defendants' testimony that they shipped a container of PROMISE in interstate commerce (R. 152). Defendants now contend that their use of PROMISE in interstate commerce was "colorable," and without intent to use the mark in such commerce in the future (Br. 46-60), but defendant previously stated in response to plaintiff's "Request For Admissions" (R. 262):

"Request No. 21.

"That the new Promise label of Drop Dead Co., Inc., is sold or is intended to be sold in interstate commerce outside the State of California.

"Response.

"Admit the truth of the matter set forth in Request No. 21."

Defendants' argument that its use in interstate commerce is colorable is meaningless. The Trademark Act sets no requirement for the number of times a trademark need be used in commerce. Commerce is simply defined as, "all commerce which may be lawfully regulated by Congress." 15 U. S. C. 1127. The statute goes on to define what constitutes use of a trademark in commerce:

"For the purposes of this chapter a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the display associated therewith or on the tags or labels affixed thereto and the goods are sold *or transported in commerce* . . ." (Emphasis supplied).

There is here no question that defendants have placed the mark PROMISE on their goods and that such goods have been transported in interstate commerce (R. 152). In *New England Duplicating Co. v. Mendes*, 190 F. 2d 415 (1st Cir., 1951) the Court found that a single shipment between the plaintiff's offices in Boston and New York was sufficient use

in interstate commerce under the Trademark Act. The Court held at page 417:

“There can be no doubt whatever, and, it is no disputed, that the mark is registrable under § 2 of the Act for the goods to which the plaintiff applied it. Nor can there be any serious question that the plaintiff used it ‘in commerce’ on those goods before he applied for registration. The shipment of a labeled machine to his sales office in New York on May 31, 1949, cited in his application for registration as his first use of the mark in commerce, clearly constituted a use of the mark in commerce under § 45, par. 15, of the Act wherein it is provided in pertinent part: ‘For the purposes of this Act a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto and the goods are sold or transported in commerce.’ The use of the disjunctive ‘or’ between ‘sold’ and ‘transported’ leaves no doubt that a transportation in the ‘commerce’ defined in par. 3 of § 45 *id.* is enough to constitute a ‘use’ even without a sale.”

To the same effect is *Admiral Corp. v. Penco, Inc.*, 203 F. 2d 517, 520 (2d Cir. 1953).

In *Miles Laboratories, Inc. v. Frolich*, 195 F. Supp. 251 (S. D. Cal. 1961), affirmed *per curiam* 296 F. 2d 740 (9th Cir., 1961), the Court held at page 257:

“A single *actual* sale or use by defendant in another state would be sufficient interstate commerce to give federal protection under the Act, *New England Duplicating Co. v. Mendes*, 1 Cir., 1951, 190 F. 2d 415, 417.

Defendants seek to distinguish this decision on the basis of their claim of colorable use but the decision makes no such distinction. Defendants here made a shipment of PROMISE from California to New York (R. 152), and the shipment constitutes actual use in interstate commerce within the definition in the Trademark Act (15 U. S. C. 1127).

b) Defendants' Use of the Trademark **PROMISE** Affects Interstate Commerce.

Even were defendants' use of **PROMISE** wholly in intrastate commerce, the District Court had jurisdiction under the Trademark Act if the use of **PROMISE** affected interstate commerce. In *Stauffer v. Exley*, 184 F. 2d 962 (9th Cir., 1950), this Court considered the changes in federal jurisdiction brought about by the Trademark Act of 1946 and stated at page 966:

“Under the trade-mark law as it existed prior to the present Act a party bringing an action for infringement was required to establish before he could recover that the infringer had used the copy or colorable imitation of the trade-mark in interstate or foreign commerce. [Citations]. Under the present Act, however, it need only be proved that the infringer has used the copy or imitation in commerce which Congress has power to regulate. An infringement committed in intrastate commerce but affecting interstate commerce could clearly be regulated by Congress and thus would be within the present Act.”

In *Dawn Donut Company v. Hart's Food Stores, Inc.*, 37 F. 2d 358 (2nd Cir., 1959), the Court found that a doughnut shop operating wholly in intrastate commerce was subject to the District Court's jurisdiction under the Trademark Act. The Court held at page 365:

“Since we have held that upon a proper subsequent showing the plaintiff may be entitled to injunctive relief, it is appropriate that we answer here the defendant's argument that such relief is beyond the constitutional reach of Congress because the defendant uses the mark only in intrastate commerce. Clearly Congress has the power under the commerce clause to afford protection to marks used in interstate commerce. That being so, the only relevant question is whether the intrastate activity forbidden by the Act is ‘sufficiently substantial and adverse to Congress’

paramount policy declared in the Act. * * *' *Mandeville Island Farms, Inc. v. American Crystal Sugar Co.* 1948, 334 U. S. 219, 234, 68 S. Ct. 996, 1005, 92 L. Ed. 1328. The answer to such an inquiry seems plain in this case. If a registrant's right to employ its trade mark were subject within every state's borders to preemption or concurrent use by local business, the protection afforded a registrant by the Lanham Act would be rendered virtually meaningless. Therefore we think it is within Congress' 'necessary and proper' power to preclude a local intrastate user from acquiring any right to use the same mark.'

To the same effect is *Iowa Farmers Union v. Farmers Educational & Cooperative Union*, 247 F. 2d 809, 815 (8th Cir. 1957).

Defendants here contend that their sales are too small to affect interstate commerce (Br. 62) and that plaintiff has not alleged that defendants' sales affect such commerce (Br. 62-63). Plaintiff, however, alleged and proved facts showing: that plaintiff uses its registered trademark in interstate commerce (R. 13, R. 98-99); that confusion and damage result from defendants' infringement (R. 14-15, R. 111-130, 165-200, 204-209); and that this infringement impairs plaintiff's rights in its trademark (R. 15). On this proof the District Court found that "... defendants' use of the Promise trademark affects plaintiff's use of its Pledge trademark in interstate commerce" (R. 62). In *Lyon Quality Courts United, Inc.*, 249 F. 2d 790 (6th Cir., 1957) the Court held that allegations and proof similar to those in the present action properly invoked and sustained the jurisdiction of the District Court under the Trademark Act. The Court stated at page 795:

"Under the provisions of the Lanham Trade-Mark Act, however, it is not necessary that the infringing use itself be in interstate commerce. It is enough if the use has a substantial economic effect on intersta

commerce. The Act provides that a mark shall be deemed to be used in commerce 'when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.' 15 U.S.C.A. § 1127. And, 'the word "commerce" means all commerce which may lawfully be regulated by Congress.' 15 U.S.C.A. § 1127. Since as a matter of Constitutional law it is now beyond question that Congress may regulate intrastate activities which substantially affect interstate commerce, *Mandeville Island Farms v. American Crystal Sugar Co.*, 1948, 334 U. S. 219, 232-237, 68 S. Ct. 996, 92 L. Ed. 1328, it is clear that intrastate infringing use is within the provisions of the Act if it has a substantial economic effect upon interstate use by the mark's owner [Citations].

Without question the plaintiff's complaint alleged an infringing use 'in commerce' within the meaning of the statute. Facts showing the plaintiff's own use of its mark in interstate commerce were clearly set out, as were facts alleging a substantial economic effect upon that use resulting from the defendants' intrastate infringement."

In *Pure Foods, Inc. v. Minute Maid Corp.*, 214 F. 2d 792 (6th Cir., 1954) the Court held at page 796:

"We think that the complaint, not attacked in the district court, sufficiently invokes that court's jurisdiction. While it does not charge that the defendant distributes its products in interstate commerce, and does not charge infringement 'in commerce' in so many words, it does allege damage to plaintiff's good will established in interstate commerce.

"The court had jurisdiction of the case actually proved under that complaint. The district court found that the plaintiff's trade-mark 'Minute Maid' was registered under the Lanham Act, had been continuously used in commerce for many years, had acquired a secondary meaning in the mind of the public as denoting products sold by the plaintiff, and that defendant's use of the words 'Minute Made' had caused confusion and mistake on the part of purchasers as to the source

of origin of defendant's products, and that continue use of such words is likely to continue to cause confusion and mistake. We think that the infringement would subject the good will and reputation of the plaintiff's trade-mark to the hazards of the defendant's business, and that the district court had jurisdiction to protect the Federally registered trade-mark."

Defendants rely principally on *Fairway Foods, Inc. v. Fairway Markets, Inc.*, 227 F. 2d 193 (9th Cir., 1955), to support their claim that the District Court did not have jurisdiction under the Trademark Act (Br. 53, 61). That case, however, did not deal with jurisdiction, but simply held that a trademark registration did not confer rights in areas in which the registrant was not using the mark. Although it dealt with an intrastate infringement in that action, this Court did not hold that it was without jurisdiction.

2. The District Court Had Jurisdiction Over Plaintiff's Trademark Infringement Claim by Virtue of Diversity of Citizenship.

(a) Plaintiff and All Defendants Are of Diverse Citizenship

In accordance with the provisions of 28 U. S. C. 1332 the District Courts have jurisdiction of civil actions if the parties are of diverse citizenship and the amount in controversy exceeds ten thousand dollars. Defendants do not contest the fact that the corporate parties are of diverse citizenship, but they claim that the citizenship of the individual defendants is not properly pleaded (Br. 64). In the agreed Pre-Trial Order which was expressly made a supplement to the pleadings, it was admitted that "Plaintiff and all defendants are of diverse citizenship" (R. 28). With this admission of record, even if the order did not supplement the pleadings this Court could authorize an amendment of the complaint to show the diversity of the individual defendants. 28 U. S. C. 1653.

b) **The Amount in Controversy Exceeds Ten Thousand Dollars,
Exclusive of Interest and Costs.**

The proper test for determining jurisdictional amount is the value to the plaintiff of the right for which protection is sought. *Bitterman v. Louisville and Nashville Railroad Company*, 207 U. S. 205, 225 (1907). In trade identity actions this amount is the value of the good will attached to the name. In *Del Monte Special Food Co. v. California Packing Corporation*, 34 F. 2d 774 (9th Cir., 1929), this court held at page 776:

“The first point is as to the jurisdiction of the federal court to entertain the appellee’s complaint. The appellee does not predicate the jurisdiction of the court upon the infringement of a registered trade-mark, but upon the diversity of the citizenship of appellant and appellee. The diversity of citizenship is admitted, but it is claimed that the amount in litigation does not exceed the jurisdictional amount of \$3,000. To this point appellant cites *Elgin v. Marshall*, 106 U. S. 578, 1 S. Ct. 484, 27 L. Ed. 249, and *New England Mtg. Soc. Co. v. Gay*, 145 U. S. 123, 12 S. Ct. 815, 36 L. Ed. 646; *Mutual Life Ins. Co. v. Wright*, 276 U. S. 602, 48 S. Ct. 323, 72 L. Ed. 726. These cases have no application to the situation in the case at bar, for they merely hold that, where the amount involved in the litigation is less than \$3,000, the fact that the incidental results of the litigation may be much more far reaching and thus involve larger amounts is no ground for entertaining jurisdiction. In the case at bar the appellee is undertaking to protect the good will of its business by invoking aid of a court of equity to enjoin the practices of the appellant which threaten to injure or destroy that good will and that business.

“The bill alleges that the value of the good will involved is more than \$2,000,000, and more than \$11,000,000 has been spent in advertising. Under these circumstances, there is no question but that the values litigated exceed the jurisdictional amount.”

In view of the millions of dollars spent by plaintiff in advertising and the voluminous sales under the PLEDGE trademark (PX T-15, T-19, R. 251-252), there can be no question that plaintiff's good will in its PLEDGE trademark is far in excess of ten thousand dollars.

In *Ross-Whitney Corp. v. Smith Kline & French Laboratories*, 207 F. 2d 190 (9th Cir., 1953), this Court held at page 194:

“In any event, the District Court has jurisdiction under Title 28 U. S. C. A. § 1332. There is the required diversity of citizenship since SKF is a citizen of Pennsylvania and appellants are citizens of California. And the District Court's finding that the amount in controversy exceeds \$3,000 is supported by the evidence that SKF had a substantial investment in Dexedrine and its peculiar shape-color-size combination by virtue of the \$1,200,000 spent in advertising alone from May 1949 to September 1951.”

The District Court in the present action likewise found, or similar evidence, that the amount in controversy exceeds \$10,000 (Finding of Fact 7, R. 59).

In *Indian Territory Oil & Gas Co. v. Indian Territory Illuminating Oil Co.*, 95 F. 2d 711 (10th Cir., 1938), the Court held at page 713:

“The test, in determining the amount in controversy in a case of this kind presenting a continuing wrong to an established business growing out of unfair trade practices, is not the immediate pecuniary damages arising from the wrongful acts. It is the value of the business or the right to be protected; and business reputation or good will is an intangible asset to be taken into consideration in ascertaining the extent and value of the business or right.”

To the same effect are: *Ambassador East, Inc. v. Orsatti Inc.*, 257 F. 2d 79, 81 (3rd Cir., 1958); *Seaboard Finance Company v. Martin*, 244 F. 2d 329, 331 (5th Cir., 1957); and

Beneficial Industrial Loan Corp. v. Kline, 132 F. 2d 520, 525 (8th Cir., 1942).

Defendants claim that plaintiff has not alleged that defendants' infringement will destroy its good will and therefore the entire value of the good will is not in controversy (Br. 64-67). The complaint, however, alleges that defendants' infringement will nullify plaintiff's right to its exclusive use of its PLEDGE trademark (R. 15). Without an exclusive right to use the trademark the good will attached to the mark would be worthless to plaintiff since anyone could then trade upon it.

The authority relied upon by defendants to claim that the entire value of the good will is not threatened (Br. 64) is not relevant to this action. *Seven-Up Company v. Blue Note, Inc.*, 260 F. 2d 584 (7th Cir., 1958), cited by defendants, was a "passing off" or substitution of goods action, and *Seagram-Distillers Corp. v. New Cut Rate Liquors*, 245 F. 2d 453 (7th Cir., 1957), was a fair trade price cutting case. Trademark infringement was not an issue in either action. The exclusive right to use a trademark free from infringement was not involved, and therefore the entire value of the good will was held not to be in issue. In *Shaffer v. Coty, Inc.*, 183 F. Supp. 662, 670 (S. D. Cal., 1960), the District Court, although purportedly relying on the above decisions, simply found that the value of plaintiff's good will was negligible because the plaintiff had spent only \$200.00 in advertising under its trademark.

Even under the authorities relied upon by defendant the amount in controversy in this action exceeds ten thousand dollars, since it is the value to plaintiff, not the seven thousand dollars of sales by defendant, which controls this determination. *Hunt v. New York Cotton Exchange*, 205 U. S. 322, 336 (1907); *General Petroleum Corporation of California v. Beanblossom*, 47 F. 2d 826, 827 (9th Cir., 1931).

Plaintiff's statutory damages can be assessed at one dollar for each copy of the infringing work. 17 U. S. C. 101(b). At the time the complaint was filed defendants had made fifty thousand copies of its infringing label and had placed seventeen thousand on cans (R. 258, 261). In addition to this statutory recovery plaintiff could also recover both profits and damages for trademark infringement and unfair competition. 15 U. S. C. 1117; *Hamilton-Brown Shoe Co. v. Wolf Brothers & Co.*, 240 U. S. 251, 259 (1916). The potential value of this recovery is in excess of ten thousand dollars and would be sufficient to confer jurisdiction without considering the value of the exclusive right to use the mark free of infringement.

C. THE DISTRICT COURT HAD JURISDICTION OVER PLAINTIFF'S UNFAIR COMPETITION CLAIM.

1. The District Court Had Jurisdiction by Virtue of Diversity of Citizenship.

The reasons set forth in support of plaintiff's claim of diversity jurisdiction over plaintiff's trademark infringement claim apply with equal force to plaintiff's unfair competition claim. All the parties are of diverse citizenship. The value to plaintiff of the exclusive right to use the PLEDGE label, which is in controversy under the unfair competition claim, is far in excess of ten thousand dollars.

2. The District Court Had Pendent Jurisdiction of Plaintiff's Unfair Competition Claim.

In *Hurn v. Oursler*, 289 U. S. 238 (1933), the Supreme Court held that the District Court had jurisdiction to hear an unfair competition claim joined with a substantial and related claim arising under the copyright laws, even though

the copyright claim was dismissed. This principle of pendent jurisdiction over unfair competition claims was codified in 28 U. S. C. 1338(b), which provides:

“The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws.”

In the present action plaintiff's unfair competition claim is joined with a substantial and related claim under the copyright laws, since both claims rest on defendant's deliberate copying and use of the infringing label.

Defendants here seek to avoid pendent jurisdiction by arguing that if plaintiff's copyright is invalid the District Court has no jurisdiction to determine the unfair competition claim (Br. 44, 63). Contrary to defendants' contention, invalidity of a trademark registration, patent or copyright does not divest the Court of pendent jurisdiction to determine related unfair competition claims, as this would negate the purpose of avoiding piecemeal litigation. In *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 35 U. S. 315 (1938), the Court held at page 324:

“While the act of 1920 does not vest any new substantive rights, it does create remedies in the federal courts for protecting the registrations and authorizes triple damages for infringement. As a consequence of these remedial provisions, when a suit is begun for infringement, bottomed upon registration under the 1920 act, the district courts of the United States have jurisdiction. Unless plainly unsubstantial, the allegation of registration under the act is sufficient to give jurisdiction of the merits. In this case the trial court concluded that the invalidity of the trade-mark divested it of jurisdiction over unfair competition. This was erroneous. Once properly obtained, jurisdiction of the

one cause of action, the alleged infringement of the trade-mark, persists to deal with all grounds supporting it, including unfair competition with the marked article.”

To the same effect are: *O'Brien v. Westinghouse Electric Corporation*, 293 F. 2d 1, 11 (3rd Cir., 1961); *N. S. W. Co. v. Wholesale Lumber & Millwork, Inc.*, 123 F. 2d 38, 4 (6th Cir., 1941); *Sinko v. Snow-Craggs Corporation*, 10 F. 2d 450, 451 (7th Cir., 1939); and *Warner Publications, Inc. v. Popular Publications, Inc.*, 87 F. 2d 913, 914 (2nd Cir., 1937).

Defendants' position reduces to the absurd contention that if a claim under the copyright law is held unsuccessful on the merits, the District Court should dismiss the copyright claim *for lack of jurisdiction*. The only authority relied upon by defendants is *Royal Sales Co. v. Gaynor*, 164 Fed. 207 (C. C. S. D. N. Y., 1908). That decision, however, merely held that a monogram used in the title of a book was not within the copyright protection of the book. This is in accord with settled law that titles are not covered by copyright. *Warner Bros. Picture Inc. v. Majestic Pictures Corporation*, 70 F. 2d 310, 311 (2d Cir., 1934). The action for piracy of the title monogram in the *Royal Sales* case therefore did not arise under the copyright laws and the Court was without jurisdiction. Here, plaintiff's label is covered by copyright, and plaintiff's copyright claim, even if invalid, arises under the copyright laws.

Defendants also argue that a finding of invalidity of copyright should divest the Court of jurisdiction since otherwise federal jurisdiction could be acquired simply by depositing any paper with the Register of Copyrights (E 45). This argument is based on the assumption that the Register must accept all items filed with him for copyright. This, however, is erroneous since the authority of the

Register of Copyrights to refuse to accept items for copyright for reasons including a lack of copyrightable matter is well established. *Bailie v. Fisher*, 258 F. 2d 425, 426 (D. C. Cir., 1958); *Bouve v. Twentieth Century-Fox Film Corporation*, 122 F. 2d 51, 53 (D. C. Cir., 1941); and *Brown Instrument Co. v. Warner*, 161 F. 2d 910 (D. C. Cir., 1947).

3 The District Court Had Jurisdiction of Plaintiff's Unfair Competition Claim Under the Federal Trademark Act.

In addition to diversity of citizenship and pendent jurisdiction, this Court has held that the District Courts have jurisdiction of an unfair competition claim which affects interstate commerce regardless of the citizenship of the parties. *Pagliero v. Wallace China Company*, 198 F. 2d 339, 341 (9th Cir., 1952); *Stauffer v. Exley*, 184 F. 2d 962, 96 (9th Cir., 1950). Such jurisdiction arises from the provisions of 15 U. S. C. 1126(b), (h), and (i), which give foreign nationals the right to sue in federal court for unfair competition and confer upon United States citizens the same rights which are granted to foreign nationals. In *Doss-Whitney Corp. v. Smith Kline & French Laboratories*, 207 F. 2d 190 (9th Cir., 1953), this Court held at page 13:

“Furthermore, this court recently held in *Stauffer v. Exley*, 9 Cir., 1950, 184 F. 2d 962, that the District Court has original jurisdiction over causes alleging unfair competition where the acts complained of affect interstate commerce even in the absence of diversity of citizenship of the parties and jurisdictional amount and where there is no substantial and related claim under the federal trade-mark laws. Citing 15 U. S. C. A. § 1126(b), (h) and (i).”

A further basis for jurisdiction of the unfair competition claim under the Trademark Act appears in 15 U. S. C.

1125(a). This section prohibits unfair competition and provides for a civil action by any person who is likely to be damaged by the use of a false or misleading designation of origin, such as defendants' PROMISE label. In *Parkway Baking Company v. Frehofer Baking Company*, 255 F. 2d 641 (3rd Cir., 1958), the Court construed this section of the statute and held at page 648:

“In Section 43(a) Congress has provided a remedy by way of civil damages or injunction against anyone who, in connection with goods or services in commerce, uses a false designation of origin or any false description or representation. I Callmann, *Unfair Competition and Trade Marks* § 18.2(b); *L'Aiglon Apparel Lana Lobell, Inc.*, 3 Cir., 1954, 214 F. 2d 649.”

To the same effect is Chief Judge Clark's concurring opinion in *Maternally Yours, Inc. v. Your Maternity Shop*, 234 F. 2d 538, 546 (2d Cir., 1956).

D. THE DISTRICT COURT DID NOT ERR IN RECEIVING EVIDENCE RESPECTING DEFENDANTS' USE OF THE TRADEMARK PROMISE ON A MODIFIED LABEL.

Defendants contend that the District Court should not have received evidence respecting confusion caused by defendants' use of the trademark PROMISE on a modified label since this label was not covered by the pleadings (Br. 6-69). Such evidence, however, was introduced without objection by defendants, who may not urge evidentiary objections for the first time on appeal. *Boeing Airplane Company v. Brown*, 291 F. 2d 310, 316 (9th Cir., 1961); *Arizona Power Corporation v. Smith*, 119 F. 2d 888, 890 (9th Cir., 1941); 1 *Wigmore on Evidence*, (3rd ed. 1940) Sec. 18, p. 321. Moreover, the specious nature of defendants' contention is apparent from the fact that defendants themselves introduced testimony showing their use of the

trademark PROMISE on the modified label (R. 228, 232-234; DK H).

Contrary to defendants' assertion, plaintiff's complaint is not based exclusively upon defendants' use of the original PROMISE label. The copyright infringement and unfair competition claims are directed against this label, but the trademark infringement claim is based on the confusion likely to be caused by the use of the trademark PROMISE, not the label (R. 13-16). The complaint pleads defendants' use of the trademark PROMISE and their application to register PROMISE as a trademark in the Patent Office (R. 14). Plaintiff prays for injunctive relief against defendants (R. 16):

"using the trademark Promise or the Promise label as used by defendants, or any colorable imitation thereof, in connection with the sale or offering for sale of wax or polishing products, or any similar or related products."

Any doubt whether defendants' use of PROMISE on the modified label is covered by the pleadings is dispelled by referring to the pre-trial order entered by Judge Hall on March 6, 1961. This order, entered by agreement of all parties, recites that among the issues of fact to be litigated at the trial is the following (R. 35):

"10. Subsequent to the filing of this action, defendants claim to have changed the label under which their product is sold, but continued to use the trademark Promise on the same product, all to the confusion of purchasers and potential purchasers."

The issues of law to be litigated are stated to include the following (R. 41):

"10. Defendants' change of label, but continuing use of its infringing trademark is evidence of defendants original and continued intent to trade upon plaintiff's good will.

“11. Plaintiff is entitled to an injunction against defendants’ use of its infringing trademark and against defendants’ unfair competition with plaintiff.”

At the end of the pre-trial order it was agreed by the parties and ordered by the Court that (R. 42):

“The foregoing admissions having been made by the parties, and the parties having specified the foregoing issues of fact and law remaining to be litigated, this order shall supplement the pleadings and govern the course of the trial of this cause, unless modified to prevent manifest injustice.”

With the pleadings specifically supplemented to include defendants’ use of the trademark PROMISE on a modified label, evidence of such use was necessarily within the scope of the pleadings.

E. DEFENDANTS’ CLAIMED ANTI-TRUST DEFENSE IS IMPROPER.

As a new contention on this appeal defendants urge that plaintiff, by adopting different names for its different wax products and bringing suit to enjoin the use of confusingly similar names is violating the anti-trust laws (Br 72-78). This claim presents affirmative matter in avoidance of plaintiff’s complaint. Rule 8(c) of the Federal Rule of Civil Procedure requires that a party shall “set forth affirmatively . . . matter constituting an avoidance or affirmative defense.” Rule 12(h) provides that, “A party waives all defenses which he does not present by motion and hereinbefore provided or, if he has made no motion, in his answer or reply.” Defendants neither pleaded an anti-trust defense nor otherwise raised it before the District Court. Defendants’ effort to recast this action on a defense raised for the first time on appeal is improper. *Ashton v. Glaze*, 95 F. 2d 427, 429 (9th Cir., 1938); *Bergeron v.*

Lansour, 152 F. 2d 27, 31 (1st Cir., 1945); *Brown v. Varner*, 173 F. 2d 162, 164 (5th Cir., 1949).

Defendants have conceded that their anti-trust defense is unsupported by authority (Br. 72). It is likewise lacking in reason. Stripped of verbiage, defendants' claim is simply that plaintiff, by using different trademarks for different wax products and suing to enjoin the use of confusingly similar marks, is monopolizing the trademarks available for use on wax products. This claim, however, ignores the fact that the entire English language plus fanciful terms are available for defendants' use; the only limitation is to avoid the use of a term likely to cause confusion of source. In *Stork Restaurant v. Sahati*, 166 F. 2d 348 (9th Cir., 1948), this Court held at page 361:

“There is no need for the appellees to appropriate the appellant's ‘fanciful’ or ‘arbitrary’ trade name.
* * *

“This thought that a newcomer has an ‘infinity’ of other names to choose from without infringing upon a senior appropriation runs through the decisions like a leitmotiv.

“In *Florence Mfg. Co. v. J. C. Dowd & Co.*, *supra*, 2 Cir., 178 F. at page 75, we find a classical statement of the principle: ‘It is so easy for the honest business man, who wishes to sell his goods upon their merits, to select from the entire material universe, which is before him, symbols, marks and coverings which by no possibility can cause confusion between his goods and those of competitors, that the courts look with suspicion upon one who, in dressing his goods for the market, approaches so near to his successful rival that the public may fail to distinguish between them.’ ”

Defendants concede that plaintiff may sue to stop the use of identical terms, but claim that to try to stop the use of confusingly similar names is an anti-trust violation (Br. 4). The right to stop the use of confusingly similar names,

not merely identical ones, is expressly granted by statute (15 U. S. C. 1114 (1)), and has long been recognized a common law. *Brooks v. Great Atlantic & Pacific Tea Co* 92 F. 2d 794, 797 (9th Cir. 1937).

In addition to protection of plaintiff's right to enjoy the use of its trademark free from confusion, the trademark laws are also concerned with protection of the public from confusion as to source such as has here occurred. *Stork Restaurant, Inc. v. Sahati*, 166 F. 2d 348, 363 (9th Cir., 1948); *General Baking Co. v. Gorman*, 3 F. 2d 891, 89 (1st Cir., 1925); *A. E. Staley Manufacturing Company v. Staley Milling Company*, 253 F. 2d 269, 278 (7th Cir. 1958). As stated in *San Francisco Ass'n For the Blind v. Industrial Aid for The Blind, Inc.*, 152 F. 2d 532 (8th Cir. 1946) at page 537:

"The public has a substantial interest in being protected against the confusion which results from the use of similar trade-marks on similar goods in the same trade territory."

The District Court found that actual confusion of source was caused by defendants' use of PROMISE (R. 63-64). These findings are supported by the testimony of purchasers of PROMISE who bought defendants' product believing it to be put out by plaintiff because of the similarity of the trademarks PLEDGE and PROMISE (R. 112-130, 165-186, 197-200, 208-209). Examples of such testimony are as follows:

(Anne Marie Dellsite, R. 128-129.)

"Q. Mrs. Dellsite, I show you a can of Promise which has been marked Plaintiff's Exhibit 20 and ask you if you have ever purchased a can corresponding to that?

A. Yes, I have.

Q. When you purchased Promise what company did you think put it out?

A. Johnson's.

Q. Why did you think that Promise was put out by Johnson's Wax?

A. I thought that Pledge and Promise was just a name change as far as the furniture wax was concerned."

(Betty Nutkiewicz, Cross-Examination, R. 181.)

"Q. Inasmuch as you had no difficulty now in distinguishing the two, could you tell me why you had difficulty in distinguishing the two in the store?

A. I didn't have any. I just started Promise and Pledge, they are two synonyms, and they meant the same, and I'm sure I'm buying something by Johnson's with the different name with the same meaning."

(Dorothy Pearce Levi, R. 182.)

"Q. When you purchased Promise what company did you think put it out?

A. I thought Johnson's did.

Q. Why did you think Johnson's Wax put out Promise?

A. Well, I have used Pledge and I thought Johnson's had come out with something new, and I wanted to try it and by its name being Promise I figured that it was a Johnson's product."

Defendants' anti-trust defense would allow such confusion to continue and therefore is contrary to law and against the public interest. The defense is simply a belated attempt by defendants to continue trading upon plaintiff's good will and profiting from the confusion of the public.

F. THE DISTRICT COURT'S AWARD OF STATUTORY DAMAGES, PROFITS AND ATTORNEYS' FEES SHOULD NOT BE MODIFIED.

1. This Court Has No Jurisdiction on This Appeal to Consider the Monetary Awards of the District Court.

Defendants are appealing from the Interlocutory Judgment Order of November 20, 1962 (R. 69). As stated by defendants (Br. 2), this Court's jurisdiction rests on 28 U. S. C. 1292(a) (1), which affords this Court jurisdiction over appeals from an interlocutory order granting an injunction. The monetary awards to plaintiff are not however, included within the Interlocutory Judgment Order (R. 67-68), and are not before this Court on appeal from that order.

Even if the reference of the monetary awards to a master for computation had been included in the judgment order, the question of profits, damages, and fees would not be before this Court on this appeal. A reference to a master for the purpose of determining profits and damages renders a judgment interlocutory, and on appeal only the injunction is before the appellate court. In a copyright case, *George v. Victor Talking Machine Co.*, 293 U. S. 377 (1934), the Supreme Court stated at page 378:

“The District Court sustained the plaintiff's right as author and found infringement. Decree was entered granting an injunction and appointing a special master to take and state an account of profits and to report to the court, with the usual provisions for exception to the report. The decree was interlocutory.”

In another copyright action, *Reeve Music Co. v. Cres Records, Inc.*, 285 F. 2d 546 (2nd Cir., 1960), the Court of Appeals itself raised the question of appellate jurisdiction in considering an appeal from an order granting an

injunction and ordering an accounting. The Court dismissed that part of the appeal relating to the propriety of the accounting and held at page 547:

“Although neither party has raised any question as to appellate jurisdiction, the court is constrained to do so. It is clear under the authorities that the reference to a master to ascertain damages and report back renders the judgment interlocutory, and that only the propriety of the temporary injunction can be considered by us on this appeal. *Sheldon v. Moredall Realty Corp.*, 2 Cir., 95 F. 2d 48; *Zwack v. Kraus Bros.*, 2 Cir., 237 F. 2d 255, 262, and cases there cited.”

In *Chappell & Co. v. Palermo Cafe Co.*, 249 F. 2d 77 (1st Cir., 1957), the plaintiff sought injunctive relief and statutory damages for copyright infringement. The District Court heard the infringement claim, granted an injunction and ordered a jury trial on the damage issue. The plaintiffs appealed but that part of the appeal was dismissed. The Court stated at page 80:

“... we think it is inescapable that the district judge’s injunction of December 21, 1956, though properly titled a ‘permanent injunction’, was not a ‘final decision’ within the meaning of 28 U.S.C. § 1291, since there still remained in the district court, to be disposed of in one way or another, so much of the complaint as sought an award of damages.”

In a trademark action, *Zwack v. Kraus Bros. & Co.*, 237 F. 2d 255 (2nd Cir., 1956), the Court reviewed an order granting an injunction and ordering an accounting of profits and damages, and held at page 262:

“However, we lack appellate jurisdiction at this time to review the portion of the order awarding the plaintiffs funds blocked during the war, *Leonidakis v. International Telecoin Corp.*, 2 Cir., 208 F. 2d 934, and referring the case to a special master for a determination of profits and damages.

* * * * *

“It follows, we hold, that although all our ruling indicated above are within our jurisdiction under 28 U.S.C.A. § 1292 (1) as necessarily involved in the right to the injunction provisions of the decree appealed from, such portions of the decree as adjudicate the plaintiff’s rights to damages and to an accounting are not reviewable at this stage. Accordingly, at this stage we affirm only in part.

* * * * *

“To give further definition to the scope of the adjudications made on this appeal we will add that for lack of the finality of portions of the decree below we do not now pass upon the plaintiffs’ right to damages on any portion or on any theory of their claims therefor.”

To the same effect, holding that on an appeal from an order granting an injunction and an accounting of profits and damages only the injunction is before the Court prior to completion of the accounting, are: *Sheldon v. Moredale Realty Corporation*, 95 F. 2d 48, 49 (2nd Cir., 1938); *Chadeloid Chemical Co. v. H. B. Chalmers Co.*, 243 Fed. 606, 610 (2nd Cir., 1917); and *Lederer v. Garage Equipment Mfg. Co.*, 235 Fed. 527, 530 (7th Cir., 1916).

2. The Monetary Awards of the District Court Are Within Its Discretion.

The District Court held that plaintiff is entitled to statutory damages for copyright infringement, an accounting of profits for trademark infringement and unfair competition, and attorney’s fees. The Copyright Act, 17 U. S. C. 101(b), provides for the recovery of statutory damages “in lieu of actual damages and profits.” Defendants seek to engraft on this section the limitation that statutory damages may be recovered only if actual damages or profits cannot be proved. The statute, however, provides that the District Court, “in its discretion,” is to determine

Whether, on all the facts, the plaintiff shall recover proven profits and damages as opposed to statutory damages. In *W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U. S. 28 (1952), the Supreme Court expressly rejected the present defendants' contention that if profits are provable, recovery is limited to such profits. The Court held that the type of monetary recovery allowable under the Copyright Act rests in the discretion of the District Court and stated at page 234:

"We think that the statute empowers the trial court in its sound exercise of judicial discretion to determine whether on all the facts a recovery upon proven profits and damages or one estimated within the statutory limits is more just."

The Court, at page 234, expressly distinguished *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390 (1940), relied upon here by defendants, and found that decision did not stand for the proposition for which defendants have cited it in this action.

The award of statutory damages for copying in this action is justified by the deliberate nature of the defendants' acts (R. 62-63). In *Sunset House Distributing Corp. v. Doran*, 304 F. 2d 251 (9th Cir., 1962), this Court affirmed an award of statutory damages for making "a lazy copy" of a Santa Claus figure. In *Kitchens of Sara Lee, Inc. v. Fifty Foods Corporation*, 266 F. 2d 541 (2nd Cir., 1959), an award of statutory damages for infringement of a label copyright was allowed, the Court stating at page 545:

"Nevertheless, despite the force of arguments questioning the copyrightability of pictures of these homely and domestic articles of food, such obvious copying as here occurred is not to be encouraged. Plaintiff has put time, some creative thought and money into its pictorial representations of its cakes and for the copying it is entitled to damages. *Rushton Co. v. Vitale*, 2 Cir., 1955, 218 F. 2d 434; *Alfred Bell & Co. v. Catalda Fine Arts*, 2 Cir., 1951, 191 F. 2d 99."

Under plaintiff's trademark infringement and unfair competition claims it is entitled to recover defendants' profits derived from their wrongful use of the PROMISE trademark and original label on the theory of a trust *e. maleficio*. 15 U. S. C. 1117; *Hamilton-Brown Shoe Co. v. Wolf Brothers & Co.*, 240 U. S. 251, 259 (1916). The record shows and the District Court found that defendants' infringement was deliberate and wilful (R. 63); that actual confusion of purchasers has occurred (R. 64, 111-130, 162, 200, 204-209); and that defendant made wrongful profit from consumers who would not have purchased PROMISE if they had not thought it was put out by plaintiff (R. 64, 111, 123, 126, 172, 173). As this Court stated in *National Lead Company v. Wolfe*, 223 F. 2d 195 (9th Cir., 1955) at page 205:

"In view of the demonstration in the court below that the appellees' use of 'Dutch Paint' and 'Dutch Paint Company' was by false and misleading advertising, and the consequent demonstration that there was a deliberate and intentional design to cause confusion and mistake and to deceive purchasers, the conclusion must be that whether the cause be viewed as one of unfair competition or as one of infringement of a registered trade-mark, appellant is entitled not merely to relief by injunction but to an accounting of profits and damages as well. 'But where an injunction is had against unfair competition, willfully conducted by the defendant with knowledge of the plaintiff's rights, an accounting normally follows.' *Matzger v. Vinikow*, 9 Cir., 17 F. 2d 581, 584."

Under the Copyright Act, 17 U. S. C. 116, plaintiff is entitled, in the discretion of the District Court, to an award of attorneys' fees. In *Doran v. Sunset House Distributing Corp.*, 147 F. Supp. 940, 950 (S. D. Cal., 1961) affirmed *Sunset House Distributing Corp. v. Doran*, 360 F. 2d 251 (9th Cir., 1962), it was held that an award of

attorneys' fees under the statute is authorized for deliberate copying with intent to trade on the good will of another. Likewise, it has been repeatedly held that attorneys' fees may be recovered for willful trademark infringement and unfair competition. *National Van Lines v. Dean*, 237 F. 2d 388, 694 (9th Cir., 1956); *Maternally Yours v. Your Maternity Shop*, 234 F. 2d 538, 545 (2nd Cir., 1956); *Keller Products Inc. v. Rubber Linings Corp.*, 213 F. 2d 382 (7th Cir., 1954).

V. CONCLUSION.

For the foregoing reasons plaintiff submits that the judgment of the District Court should be affirmed, and that plaintiff should be awarded its reasonable attorneys' fees incurred on this appeal.

Respectfully submitted,

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CERTIFICATE.

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

BEVERLY W. PATTISHALL.

APPENDIX.

U. S. C. 1114 (1):

“Any person who shall, without the consent of the registrant—

“(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

“(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;

shall be liable in a civil action by the registrant for the remedies hereinafter provided.”

U. S. C. 1117:

“When a violation of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 29 and 31(1)(b), and subject to the principles of equity, to recover (1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant’s sales only; defendant must prove

all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty."

15 U. S. C. 1121:

"The district and territorial courts of the United States shall have original jurisdiction and the court of appeal of the United States shall have appellate jurisdiction, of all actions arising under this chapter without regard to the amount in controversy or diversity or lack of diversity of the citizenship of the parties."

15 U. S. C. 1125(a):

"Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

1 *U. S. C. 1126(b):*

“Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provisions of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.”

1 *U. S. C. 1126(h):*

“Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.”

1 *U. S. C. 1126(i):*

“Citizens or residents of the United States shall have the same benefits as are granted by this section to persons described in subsection (b) of this section.”

1 *U. S. C. 5:*

“The application for registration shall specify to which of the following classes the work in which copyright is claimed belongs:

“(a) Books, including composite and cyclopedic works, directories, gazetteers, and other compilations.

“(b) Periodicals, including newspapers.

“(c) Lectures, sermons, addresses (prepared for oral delivery).

“(d) Dramatic or dramatico-musical compositions.

“(e) Musical compositions.

“(f) Maps.

“(g) Works of art; models or designs for works of art.

“(h) Reproduction of a work of art.

“(i) Drawings or plastic works of a scientific or technical character.

“(j) Photographs.

“(k) Prints and pictorial illustrations including prints or labels used for articles of merchandise.

“(l) Motion-picture photoplays.

“(m) Motion pictures other than photoplays.

“The above specifications shall not be held to limit the subject matter of copyright as defined in section 5 of this title, nor shall any error in classification invalidate or impair the copyright protection secured under this title.”

17 U. S. C. 101:

“If any person shall infringe the copyright in a work protected under the copyright laws of the United States such person shall be liable:

“(a) INJUNCTION.—To an injunction restraining such infringement;

“(b) DAMAGES AND PROFITS; AMOUNT; OTHER REMEDIES.—To pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement, and in proving profits the plaintiff shall be required to prove sales only, and the defendant shall be required to prove every element of cost which he claims, or in lieu of actual damages and profits, such damages as the court shall appear to be just, and in assessing such damages the court may, in its discretion, allow such amounts as hereinafter stated, . . .

“Second. In the case of any work enumerated in section 5 of this title, except a painting, statue, or sculpture, \$1 for every infringing copy made or sold by or found in the possession of the infringer or his agents or employees; . . .”

U. S. C. 112:

“Any court mentioned in section 1338 of Title 28 or judge thereof shall have power, upon complaint filed by any party aggrieved, to grant injunctions to prevent and restrain the violation of any right secured by this title, according to the course and principles of courts of equity, on such terms as said court or judge may deem reasonable.”

U. S. C. 116:

“In all actions, suits, or proceedings under this title, except when brought by or against the United States or any officer thereof, full costs shall be allowed, and the court may award to the prevailing party a reasonable attorney’s fee as part of the costs.”

U. S. C. 1292:

“(a) The courts of appeals shall have jurisdiction of appeals from:

“(1) Interlocutory orders of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court; . . .”

U. S. C. 1332:

“(a) The district courts shall have original jurisdiction of all civil actions where the matter in controversy exceeds the sum or value of \$10,000, exclusive of interest and costs, and is between—

“(1) citizens of different States; . . .

“(c) For the purposes of this section and section 1441 of this title, a corporation shall be deemed a citizen of any State by which it has been incorporated and of the State where it has its principal place of business.”

28 U. S. C. 1338:

“(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

“(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws.

28 U. S. C. 1653:

“Defective allegations of jurisdiction may be amended, upon terms, in the trial or appellate courts.